



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

June 1, 2011

To: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

From: William T Fujioka *William T Fujioka by ETS*
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

COUNTY CELL PHONE USAGE - STATUS REPORT NO. 3 (ITEM NO. 3, AGENDA OF JANUARY 4, 2011)

On January 4, 2011, on motion by Mayor Antonovich and Supervisor Molina, your Board directed the Chief Executive Officer (CEO), Auditor-Controller (A-C) and the Director of the Internal Services, to:

1. Ensure that the Department of Children and Family Services (DCFS) immediately implements the seven recommendations contained in the A-C's DCFS' Cellular Phone Audit report (Report) dated December 21, 2010; and report back to the Board within 30 days on the DCFS' progress in implementing each recommendation;
2. Direct each Department Head to conduct an internal review of controls over their department's County cellular telephones and data cards; identify any issues similar to those noted in the Report; and report back to the CEO within 30 days with the results of those reviews;
3. Direct each Department Head to review and immediately implement, as applicable, the findings and recommendations contained in the Report;
4. Develop and implement a uniform Countywide policy for adherence by all County departments to ensure that proper controls are in place for the issuance and use of County cellular phones and data cards; and consult with the Internal Services Department (ISD) on innovations to be included in Countywide policy, such as pooling minutes or data access for all departmental users to reduce call charges;

"To Enrich Lives Through Effective And Caring Service"

**Please Conserve Paper – This Document and Copies are Two-Sided
Intra-County Correspondence Sent Electronically Only**

5. Coordinate a follow-up audit by the A-C of a sample of departments to verify that they have implemented and are complying with internal controls and policies on the issuance and use of County cellular telephones and data cards; and comprehensively report back within 12 months on the results of the follow-up audit; and
6. Direct the CEO and ISD to report back on whether 2,400 tablet devices are being utilized by DCFS staff.

On February 4, 2011, this Office provided a status report indicating items one and six had been addressed under separate cover. We also indicated that we had surveyed departments regarding the results of their departmental cellular phone audits and would return with information as to findings from the departmental audits including any weaknesses identified, and implementation plans for corrective actions.

On March 10, 2011, this Office provided a second status report indicating that we had reviewed the departmental survey results and in general, we found most departments have adequate internal controls regarding cellular phone and data card usage. Specifically, our survey found the following results from 37 departmental surveys:

- Twenty-two departments have a detailed cellular phone policy;
- Eight departments plan to implement a new policy or enhance their existing policy based on the recommendations of the DCFS audit;
- Four departments specifically follow the cellular phone policy guidelines of the County Fiscal Manual; and
- Three departments do not have County-provided cell phones.

Departments did identify several areas addressed in the A-C's audit of DCFS that to various degrees could also apply in their department, including the following:

- Inconsistent reconciliation of cell phone and data card inventories;
- Delays in cancelling lost or stolen phones;
- Inconsistent review of cell phone plans to ensure appropriate service level and add-on features;
- Inconsistent analysis of phone bills to ensure personal use was reimbursed by employees; and
- Continued payment of service fees on unused or minimally used cell phones and data cards.

While most departments have a formal policy or follow the cell phone policy section in the County Fiscal Manual, there are inconsistencies and differing departmental standards. Departments that did identify deficiencies have completed corrective action plans.

Consistent with your Board's January 4, 2011 directive, this report provides the following:

- A draft Board Policy entitled "Cell Phone and Data Card Usage," (Attachment I);
- Recommended efficiencies and best practices;
- An analysis of current countywide phone and other wireless device usage and rates;
- An analysis of establishing a stipend program;
- Additional audits upon implementation of new Board Policy; and
- A review of City of Los Angeles' cell phone audit report and recommendations;

Cell Phone and Data Card Usage Policy

The purpose of this recommended Policy is to provide uniform rules across all County departments regarding the acquisition and usage of County cellular telephones and other wireless data devices. The Policy will address who may have a County cellular telephone or other wireless data device, when it may be used, management responsibilities to monitor and check usage and cost, and reimbursement for personal use. This proposed policy will be submitted to the Audit Committee and thereafter to your Board for consideration.

Efficiencies and Best Practices

Currently, County departments procure their cell telephones and wireless data devices through wireless communications agreements established by ISD through a competitive bid process. These agreements provide for discounts from 22 to 25 percent off the plan pricing offered by the Verizon, Sprint-Nextel, or AT&T Wireless.

In response to the Board Order, ISD enlisted Gartner Consulting, and engaged the three cell phone agreement carriers to review the existing County agreement structures and usage information, as compared to other government agencies, and recommend efficiencies and cost savings.

Gartner reported that the County's discount structure was equal to, or greater than, the industry benchmark for government pricing. However, the review process identified areas where the County could achieve additional efficiencies including:

- Establishing or Rightsizing of Shared/Pooled-Minute Plans. Although some departments have consolidated usage through the use of shared/pooled-minute plans, a review of countywide usage indicated that not all departments have taken advantage of this offering. Additionally, for those departments using shared/pooled minutes, usage must be analyzed to determine the appropriate number of minutes for each department's plan. If departments underutilize plan minutes, then they overpay for the plan. Similarly, if a department is using more than the plan minutes, they are charged additional fees.
- Canceling Underused Cell Lines. Between the three agreement carriers, a number of cell telephone lines were reported to have little or no activity over the past 12 months. However, the County has continued to incur the associated monthly plan costs.
- Reducing the Number of Cell Plans under the County Agreements. By reducing the number of plans, efficiencies can be achieved in the administration and monitoring of phones and bills. Restricting departmental selection to less expensive plans also results in cost savings.
- Removing Text Messaging from County Plans. Although the County receives a 22 percent discount on unlimited text messaging under its plans, this feature still costs the County a minimum of \$9.36 per month for each cellular telephone that is covered under the plan.
- Migrating Various County Cellular Plan Users to Other Existing Government Contracts. Each of the three agreement carriers identified comparative plans for specific County user groups that they have under existing agreements with the Federal General Services Administration (GSA), or the Western States Contract Alliance (WSCA), where the pricing is favorable.

ISD is currently quantifying the potential savings by implementing the above efficiencies. Once completed, ISD will work with each department and the agreement carriers to implement.

Countywide Cell Phone and Other Mobile Wireless Data Device Usage

Based on the survey conducted in January 2011, the County has a total of 17,251 County-provided cell phones and 11,602 other mobile wireless data devices. The countywide monthly expenditure for cell phone devices is \$871,153, with an

average monthly fee of \$27.74 for voice only plans and \$62.04 for voice and data plans. The County spends \$148,870 monthly for other mobile wireless data devices (such as pagers, mobile hot spots, air cards, etc.) which amounts to \$12.83 per data device.

Because the operations and sizes of County departments vary significantly, establishing an arbitrary number or percentage of County cell phones per department would not make sense in all cases. We believe most departments should be able to reduce their cell phone expenditures by at least 10 percent through a combination of reducing/changing service plans and/or eliminating units.

Stipend Program

Another option available to reduce costs for cellular service would be to initiate a stipend program. This would require a new County ordinance and we are currently exploring the options for such a program. We will report the parameters and options of this type of program to your Board at a later date.

Additional Audits and Policy Compliance

Six months after the approval and implementation of the proposed new policy, the A-C will begin conducting follow-up audits of a sample of departments to verify that they have implemented and are complying with the new policy and exercising appropriate internal controls on the issuance and use of County cellular telephones and other wireless data devices. The A-C would then comprehensively report back within 12 months on the results of the follow-up audit.

Review of City of Los Angeles' Cell Phone Usage Audit Report and Recommendations

The City of Los Angeles (City) Controller's Office issued a report titled "Audit of Citywide Cell Phone Usage" on May 11, 2011. Some of the key deficiencies identified were:

- City departments did not maintain accurate count of cell phones, and some did not have sufficient justification documented;
- City departments' cell phone plans were not optimized; and
- City departments did not actively monitor usage, leading to poor plan selection, zero usage units, and unnecessary extra charges for such items as directory assistance, call forwarding, international calls, and excessive text messaging.

Each Supervisor
June 1, 2011
Page 6

Accordingly, the City Controller made numerous recommendations that are summarized below:

- Establish specific criteria for issuing cell phones with documented justification;
- Develop uniform policies that are applicable to all departments;
- Evaluate cell phone assignments on a regular basis and establish procedures to deactivate cell phone upon employee departure;
- Actively monitor zero usage phones and select most cost effective plans;
- Utilize online tools provided by carriers to compare plans and minimize costs; and
- Consider issuing stipends rather than cell phones.

Most of the City Controller's recommendations are already largely contained in the County's Fiscal Manual, are addressed in the proposed Policy, under review by ISD, or under development. Please let me know if you have any questions, or your staff may contact Martin Zimmerman at 213.974.1326 or mzimmerman@ceo.lacounty.gov.

WTF:ES:MKZ
FC:JH:ib

Attachment

c: Executive Office, Board of Supervisors
Auditor-Controller
County Counsel
Chief Information Office
Internal Services Department



Los Angeles County
BOARD OF SUPERVISORS POLICY MANUAL

ATTACHMENT

| Policy #: | Title: | Effective Date: |
|-----------|--|-----------------|
| 0.000 | County Cellular Telephone and Data Card Policy | 00/00/00 |

PURPOSE

The purpose of this policy is to provide uniform rules across all County departments, regarding the acquisition and usage of County cellular telephones and other wireless data devices. The Policy addresses who may be issued a County cellular telephone or other wireless data device, when it may be used, management responsibilities to monitor and check usage and cost, and reimbursement for personal use. This policy applies to both handheld portable and vehicle-installed units.

REFERENCE

January 4, 2011 Board Order 3
January 6, 2011 Chief Executive Office Memo "Cell Phone and Data Card Use"
February 4, 2011 Chief Executive Office Memo "Cellular Phone Usage – Status Report"
County Fiscal Manual Section 4.7.0

POLICY

Cellular telephones and other wireless data devices (such as pagers, mobile hot spots, air cards, etc.) issued and paid for by the County must be assigned based on operational need and not employee level. The department head or designee must limit assignment of such devices to circumstances in which the employee's use of a non-cellular phone or other form of communication is inadequate to meet departmental needs. Examples of such circumstances include a frequent urgent need to contact the employee, a finding that employees can more efficiently and productively complete their duties with use of a cell phone or other wireless data device, or when an employee's personal safety may be at risk. Use of cellular telephones and other wireless data devices is to be minimized, and conventional communication means are to be used when practical. Department management must follow the internal controls required by this policy to monitor and regulate usage and cost associated with cellular telephones and other wireless data devices. Personal use by employees of County-owned devices may require reimbursement to the County.

Applicability

This policy applies to users of County-provided cellular telephones and other wireless data devices.

Definition(s)

Cellular telephones are defined as any hand-held, portable, or vehicle-mounted, two-way communication device in which there is a per-minute, per message, and/or a monthly service charge for usage.

Other wireless data devices are defined as any portable data device (i.e. data card, air card, mobile hot spot) in a laptop computer or free standing that provides two-way data communication in which there is a per-minute and/or a monthly service charge for usage.

Internal Controls

The requirements for departmental internal controls over the use of cellular telephones and other wireless data devices are as follows:

Selection and Approval

- Cellular telephone and other wireless data device costs are to be monitored and controlled as part of each department's operating budget.
- Cellular telephones and other wireless data devices and services are to be acquired at rates available through County master agreements negotiated by the Internal Services Department.
- Departments must choose the most cost-effective pricing plan for the department and the employee. All unnecessary features (such as international calling, and downloads of recreational programs) must be disabled to prevent accidental charges.
- Cellular telephone and other wireless data device assignments are to be individually justified and approved by an appropriate level of departmental management.
- Multiple user, pool telephones or other wireless data devices must be controlled by a specific individual assigned responsibility for controlling the use of each device, through a) logging usage by each individual with access to the device and/or b) utilization of electronic coding of user and usage such as in "Call Accounting" programs, when available from the service provider.

Monitoring and Reporting

- Department management must, at least annually, reevaluate individual County cellular telephone assignments to ensure continued need. This evaluation must

also include a review of the individual employee's pricing plan to ensure the most cost-effective plan continues to be used. For example, the department should not pay for a plan that offers 2000 anytime minutes a month if the employee does not use more than 500 minutes a month on County business, and vice versa.

- A detailed departmental cellular telephone and other wireless data device inventory must be maintained at all times for each device which includes at a minimum: identification code (e.g. serial number), state of activation, service provider, account number, user assignment, user identification number, and assignment location.
- Copies of bills showing charges for each individual device must be distributed through immediate supervisors to users within one week of receipt.
- Individual users must check and verify that the charges are correct and identify any personal use. Employees must reimburse the County for the cost of all reimbursable personal use, if required, within 30 days of bill receipt.
- Departments must ensure bills are checked by users. Management must review verified bills to ensure that usage was appropriate and the cost of personal use is being reimbursed, if required. The appropriate level of management must review all bills over a normal usage amount as determined by the department head.
- Inappropriate use patterns that may indicate misuse of the device by unauthorized individuals ("cloning" or stolen numbers) must be immediately reported by the department to the service provider.
- Security measures available through service providers must be considered as a means of additional protection. For example, electronic coding of the device to prevent use unless a personal identification number (PIN) or password is entered by the user.
- Departments must establish internal controls consistent with this Policy to ensure that departmental/County policies for use of cellular telephones and other wireless data devices are followed.

Departments may maintain a reasonable number of unassigned activated cellular telephones and other wireless data devices for use only in emergencies with responsible person(s) assigned and appropriate security controls in place to prevent misuse.

Reimbursement Policy

Reimbursement requirements by employees for personal use of cellular telephones and other wireless data devices are as follows:

- Flat Rate Plans - Flat rate plans charge a specified per-minute rate for all calls made from a cellular telephone. Per minute charges begin with the first minute

used. Employees will reimburse the County for each personal call at the per-minute rate specified in the cellular service agreement.

- Anytime Minutes Plans - Anytime Minutes Plans provide cellular telephone users with a specified number of minutes for a fixed monthly fee. The cellular service provider bills each minute used above the specific number of minutes in the Plan at a predetermined, per-minute rate. Under this Plan, employees are required to reimburse the County for personal calls only if the employee used more than the specified number of minutes in the Plan. If the employee used more than the specified number of minutes in the Plan, the employee must reimburse the County for the lesser of 1) all personal calls or 2) all additional minutes at the plan overage rate.
- Shared/Pooled Plans – For departments using shared/pooled minute plans, usage must be routinely analyzed to determine the appropriate number of minutes for each department’s plan. If departments underutilize or exceed plan minutes, then they overpay for the plan. The nature of these plans makes it difficult to establish equitable reimbursement guidelines for excess usage. As such, departments must ensure they actively monitor individual usage under these plans.
- Data Plans - Data plans provide users with a specified amount of data for a fixed monthly fee. The data service provider bills usage above the specific amount of data in the Plan at a predetermined, per-byte rate. Under this Plan, employees are required to reimburse the County for personal use only if the employee used more than the specified amount of data in the Plan. If the employee used more than the specified amount in the Plan, the employee must reimburse the County for the lesser of 1) all personal use or 2) all additional data.

Note: If a Plan includes roaming charges, they are generally in addition to the base rate. Departments must ensure that all roaming charges related to a user’s personal use are identified and reimbursed by the employee.

RESPONSIBLE DEPARTMENT

Chief Executive Office

Auditor-Controller

Internal Services Department

DATE ISSUED/SUNSET DATE

Issue Date: March XX, XXXX

Sunset Date: March XX, XXXX